

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF LAKEVIEW**

Montcalm County, Michigan

## **FINANCIAL STATEMENTS**

February 28, 2006

# VILLAGE OF LAKEVIEW

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## INDEPENDENT AUDITORS' REPORT

To the Honorable President and  
Members of the Village Council  
Village of Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the Village of Lakeview as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lakeview's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the Village of Lakeview as of February 28, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated last day of fieldwork, on our consideration of the Village of Lakeview's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakeview's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berthiaume & Co.*  
May 11, 2006

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Lakeview, we offer readers of the Village of Lakeview's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and the notes to the financial statements.

### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Village of Lakeview's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Village's net assets and how they have changed. Net assets – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

The government-wide financial statements of the Village are divided into three categories:

**Governmental Activities** – Most of the Village's basic services are included here, such as the public safety, public works, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are included here.

**Component Unit** – The Village includes the Downtown Development Authority in its report.

### Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has two kinds of funds:

**Governmental Funds** – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Proprietary Funds** – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

### Financial Highlights:

- Assets of the Village exceeded its liabilities at the end of the fiscal year by \$4,220,528 (net assets), an increase of \$692,549 from the previous year. Of the \$4.2 million reported in net assets, approximately \$2.9 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$467,996, or 24 percent, while net assets of our business-type activities increased \$224,553, or 15 percent.
- The General Fund reported a net decrease in fund balance of \$12,017 for the year. This resulted in a year end fund balance of \$312,736. Of this amount, \$307,381 is unreserved and undesignated, or 35 percent of General Fund expenditures.
- The Village received a grant from the State of Michigan for \$355,805 for a parallel taxiway extension at the airport. This grant required a local match of 2.5%. The project was completed and the expenditures are reported as capital outlay in the General Fund.
- The Village also received grant monies for a watermain extension. The amount expended for this project and received at the end of the fiscal year was \$246,558.

### Government-wide Financial Analysis:

A portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The Village uses these assets to provide services to its citizens; thus, these assets are not available for spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Assets:</b>						
Current and other assets	\$ 775,849	\$ 734,857	\$ 668,359	\$ 630,651	\$ 1,444,208	\$ 1,365,508
Capital assets	<u>1,710,420</u>	<u>1,252,830</u>	<u>2,701,871</u>	<u>2,519,178</u>	<u>4,412,291</u>	<u>3,772,008</u>
Total assets	<u>2,486,269</u>	<u>1,987,687</u>	<u>3,370,230</u>	<u>3,149,829</u>	<u>5,856,499</u>	<u>5,137,516</u>
<b>Liabilities:</b>						
Long-term liabilities	6,676	7,715	1,511,000	1,511,000	1,517,676	1,518,715
Other liabilities	<u>51,291</u>	<u>19,665</u>	<u>67,004</u>	<u>71,157</u>	<u>118,295</u>	<u>90,822</u>
Total liabilities	<u>57,967</u>	<u>27,380</u>	<u>1,578,004</u>	<u>1,582,157</u>	<u>1,635,971</u>	<u>1,609,537</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,710,420	1,252,830	1,190,871	964,178	2,901,291	2,217,008
Restricted	332,343	226,034	109,000	109,000	441,343	335,034
Unrestricted	<u>385,539</u>	<u>481,443</u>	<u>492,355</u>	<u>494,494</u>	<u>877,894</u>	<u>975,937</u>
Total net assets	<u>\$ 2,428,302</u>	<u>\$ 1,960,307</u>	<u>\$ 1,792,226</u>	<u>\$ 1,567,672</u>	<u>\$ 4,220,528</u>	<u>\$ 3,527,979</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets of the Village increased by \$692,549 with both the governmental activities and business-type activities showing additions to prior year balances. The business-type activities increase in net assets of \$224,553 was primarily the result of a grant received from the State of Michigan for a watermain extension. The governmental activities increase in net assets of \$467,996 was primarily the result of a grant received from the State of Michigan for an extension to the airport taxiway.

The following depicts the changes in net assets for 2006 and 2005:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 111,372	\$ 50,604	\$ 452,042	\$ 369,403	\$ 563,414	\$ 420,007
Operating grants/contributions	116,579	119,421	-	-	116,579	119,421
Capital grants/contributions	355,805	137,614	246,558	-	602,363	137,614
General revenues						
Taxes	252,997	236,536	-	-	252,997	236,536
State revenue sharing-sales tax	123,738	125,872	-	-	123,738	125,872
Investment earnings	17,609	5,906	17,642	9,587	35,251	15,493
Miscellaneous	2,667	-	9,353	-	12,020	-
Total revenues	980,767	675,953	725,595	378,990	1,706,362	1,054,943
<b>Expenses:</b>						
General government	168,469	72,125	-	-	168,469	72,125
Public safety	134,260	154,179	-	-	134,260	154,179
Public works	202,984	210,254	-	-	202,984	210,254
Community and economic development	5,243	-	-	-	5,243	-
Recreation and culture	12,829	9,211	-	-	12,829	9,211
Sewer	-	-	338,019	243,582	338,019	243,582
Water	-	-	163,023	149,993	163,023	149,993
Total expenses	523,785	445,769	501,042	393,575	1,024,827	839,344
Excess (deficiency) of revenues over expenses	456,982	230,184	224,553	(14,585)	681,535	215,599
<b>Other Items:</b>						
Special item - Proceeds on sale of capital assets	11,014	-	-	-	11,014	-
	11,014	-	-	-	11,014	-
<b>Increase (decrease) in net assets</b>	<u>\$ 467,996</u>	<u>\$ 230,184</u>	<u>\$ 224,553</u>	<u>\$ (14,585)</u>	<u>\$ 692,549</u>	<u>\$ 215,599</u>

### Governmental activities:

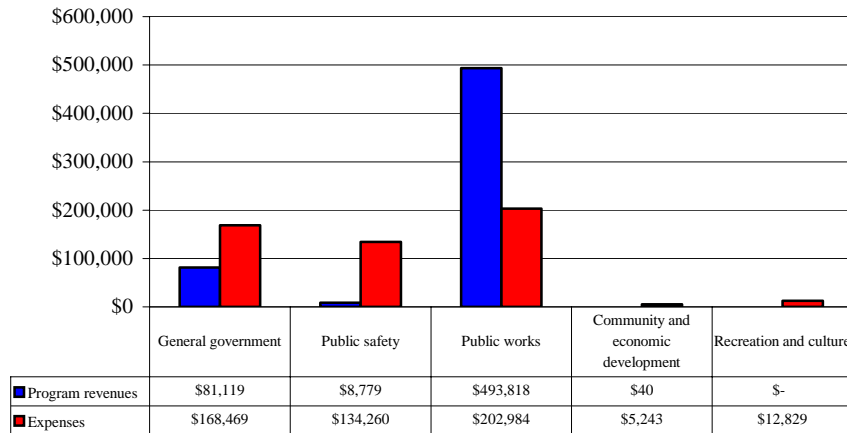
During the year, the Village continued its emphasis in public safety by investing \$134,260 or 26% of governmental activities expenses. Public works, which includes major and local street maintenance was \$202,984 or 39% of governmental activities expenses while general government, community and economic development and recreation and culture made up the remaining 35% of governmental activities expenses.



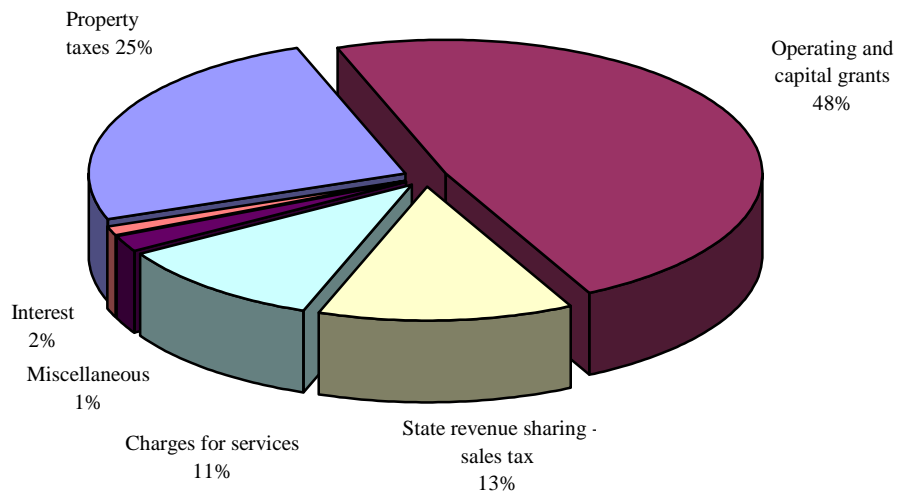
# VILLAGE OF LAKEVIEW

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities Program Revenues and Expenses



### Governmental Activities Revenue by Source



# VILLAGE OF LAKEVIEW

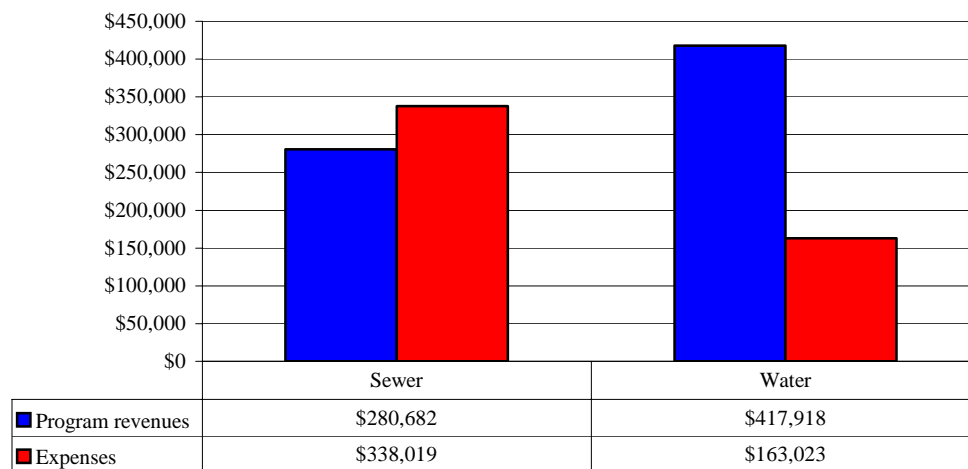
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

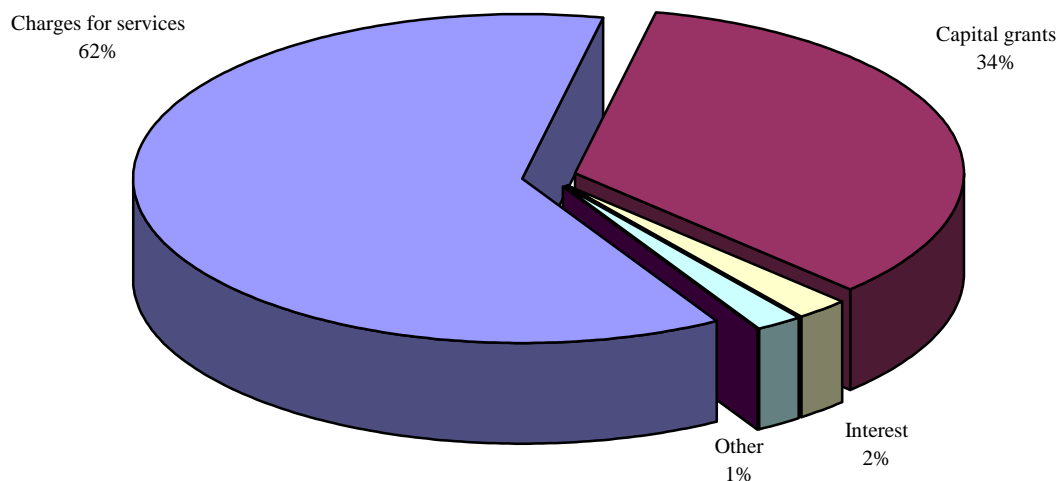
### Business-type Activities:

Business-type activities increased the Village's net assets by \$224,553, accounting for 32% of the total growth in the government's net assets for the current year. By comparison, business-type activities reported a decrease in net assets in the previous fiscal year of \$14,585.

**Business-type Activities  
Program Revenues and Expenses**



**Business-type Activities  
Revenue by Source**



# VILLAGE OF LAKEVIEW

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Capital Assets and Debt Administration:**

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2006, amounted to \$4,412,291 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and sewer and water systems. Significant improvements/purchases during the year included extension of a watermain and extension of the airport taxiway.

Debt of \$1,511,000 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the business-type activities in the statement of net assets.

### **The Village's Funds:**

The fund financial statements begin on page 12 and provide detailed information on the most significant governmental funds – not the Village as a whole. The Village Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for 2006 include the General Fund, Major Street Fund, and Property Replacement Fund.

The Village's governmental funds reported a combined fund balance of \$724,558 for this year, an increase of \$8,366 from last year.

### **General Fund Budgetary Highlights:**

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

As mentioned earlier, the Village received a grant from the State of Michigan for \$355,805 for a parallel taxiway extension at the airport. The grant project was paid for by the State of Michigan and the grant revenue and capital outlay expenditures were recorded by the Village at the end of the fiscal year. The budget was amended to increase the federal grant revenue and capital outlay expenditures to account for this project.

### **Contacting the Village's Financial Management:**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager, 315 Lincoln Avenue, P.O. Box 30, Lakeview, Michigan 48850.

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF LAKEVIEW

## STATEMENT OF NET ASSETS

February 28, 2006

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>		<i>Unit - DDA</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 661,834	\$ 540,288	\$ 1,202,122	\$ 176,358
Receivables	57,337	38,447	95,784	26,085
Internal balances	51,051	(19,376)	31,675	(31,675)
Inventory	272	-	272	-
Prepaid expenses	5,355	-	5,355	30,978
Restricted cash and cash equivalents	-	109,000	109,000	-
Capital assets:				
Nondepreciable capital assets	485,908	-	485,908	66,512
Depreciable capital assets, net	<u>1,224,512</u>	<u>2,701,871</u>	<u>3,926,383</u>	<u>649,288</u>
Total assets	<u>2,486,269</u>	<u>3,370,230</u>	<u>5,856,499</u>	<u>917,546</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	51,291	67,004	118,295	10,840
Long-term liabilities:				
Due within one year	-	47,000	47,000	20,000
Due in more than one year	<u>6,676</u>	<u>1,464,000</u>	<u>1,470,676</u>	<u>420,000</u>
Total liabilities	<u>57,967</u>	<u>1,578,004</u>	<u>1,635,971</u>	<u>450,840</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	1,710,421	1,190,871	2,901,292	275,800
Restricted for:				
Debt service	-	109,000	109,000	-
Streets	332,343	-	332,343	-
Unrestricted	<u>385,538</u>	<u>492,355</u>	<u>877,893</u>	<u>190,906</u>
Total net assets	<u>\$ 2,428,302</u>	<u>\$ 1,792,226</u>	<u>\$ 4,220,528</u>	<u>\$ 466,706</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF LAKEVIEW

## STATEMENT OF ACTIVITIES

Year Ended February 28, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
	<i>Expenses</i>				
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 168,469	\$ 81,087	\$ 32	\$ -	\$ (87,350)
Public safety	134,260	7,074	1,705	-	(125,481)
Public works	202,984	23,171	114,842	355,805	290,834
Community and economic development	5,243	40	-	-	(5,203)
Recreation and culture	12,829	-	-	-	(12,829)
Total governmental activities	<u>523,785</u>	<u>111,372</u>	<u>116,579</u>	<u>355,805</u>	<u>59,971</u>
<i>Business-type activities:</i>					
Sewer	338,019	280,682	-	-	(57,337)
Water	163,023	171,360	-	246,558	254,895
Total business-type activities	<u>501,042</u>	<u>452,042</u>	<u>-</u>	<u>246,558</u>	<u>197,558</u>
Total primary government	<u>\$ 1,024,827</u>	<u>\$ 563,414</u>	<u>\$ 116,579</u>	<u>\$ 602,363</u>	<u>\$ 257,529</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	\$ 50,033	\$ -	\$ -	\$ -	\$ (50,033)
Total component unit	<u>\$ 50,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,033)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-</i>		<i>Unit -</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>DDA</i>
		<i>Activities</i>		
Changes in net assets				
Net (Expense) Revenue	\$ 59,971	\$ 197,558	\$ 257,529	\$ (50,033)
General revenues				
Taxes				
Property taxes, levied for general purpose	146,838	-	146,838	-
Property taxes, levied for cemetery	17,531	-	17,531	-
Property taxes, levied for streets	85,353	-	85,353	-
Property taxes, captured by DDA	-	-	-	117,006
Franchise taxes	3,275	-	3,275	-
State revenue sharing - sales tax	123,738	-	123,738	-
Unrestricted investment earnings	17,608	17,643	35,251	1,904
Miscellaneous	2,667	9,353	12,020	-
Special item - Proceeds from sales of capital assets	11,014	-	11,014	-
Total general revenues and special items	408,024	26,996	435,020	118,910
Change in net assets	467,995	224,554	692,549	68,877
Net assets, beginning of year	1,960,307	1,567,672	3,527,979	397,829
Net assets, end of year	\$ 2,428,302	\$ 1,792,226	\$ 4,220,528	\$ 466,706

# VILLAGE OF LAKEVIEW

## GOVERNMENTAL FUNDS

### BALANCE SHEET

February 28, 2006

	<i>Major Funds</i>			<i>Nonmajor Fund</i>	
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Property Replacement Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 226,507	\$ 266,249	\$ 114,086	\$ 54,992	\$ 661,834
Due from other governmental units	37,934	14,745	-	4,658	57,337
Due from other funds	62,168	-	-	-	62,168
Due from component unit	31,675	-	-	-	31,675
Inventory	272	-	-	-	272
Prepaid expenditures	5,355	-	-	-	5,355
Total assets	<u>\$ 363,911</u>	<u>\$ 280,994</u>	<u>\$ 114,086</u>	<u>\$ 59,650</u>	<u>\$ 818,641</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 51,175	\$ 58	\$ -	\$ 58	\$ 51,291
Due to other funds	-	6,123	34,607	2,062	42,792
Total liabilities	<u>51,175</u>	<u>6,181</u>	<u>34,607</u>	<u>2,120</u>	<u>94,083</u>
<b>Fund balances:</b>					
Reserved:					
Prepaid expenditures	5,355	-	-	-	5,355
Unreserved:					
General fund	307,381	-	-	-	307,381
Special revenue funds	-	274,813	79,479	57,530	411,822
Total fund balances	<u>312,736</u>	<u>274,813</u>	<u>79,479</u>	<u>57,530</u>	<u>724,558</u>
Total liabilities and fund balances	<u>\$ 363,911</u>	<u>\$ 280,994</u>	<u>\$ 114,086</u>	<u>\$ 59,650</u>	<u>\$ 818,641</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF LAKEVIEW

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2006

**Total fund balances for governmental funds** \$ 724,558

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	2,141,092	
Less accumulated depreciation	<u>(430,672)</u>	1,710,420

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Compensated absences payable	<u>(6,676)</u>
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**Net assets of governmental activities** \$ 2,428,302

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF LAKEVIEW

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	<i>Major Funds</i>			<i>Nonmajor Fund</i>	
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Property Replacement Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Property taxes	\$ 164,369	\$ 60,000	\$ -	\$ 25,353	\$ 249,722
Licenses and permits	3,275	-	-	-	3,275
Federal grants	355,805	-	-	-	355,805
State grants	125,443	85,418	-	29,424	240,285
Charges for services	218,601	-	-	-	218,601
Fines and forfeits	4,986	-	-	-	4,986
Interest and rents	13,410	5,893	3,360	345	23,008
Other revenue	16,144	169	-	-	16,313
Total revenues	<u>902,033</u>	<u>151,480</u>	<u>3,360</u>	<u>55,122</u>	<u>1,111,995</u>
<b>Expenditures</b>					
Current					
General government	175,322	-	-	-	175,322
Public safety	144,365	-	-	-	144,365
Public works	164,033	68,859	-	26,434	259,326
Community and economic development	6,476	-	-	-	6,476
Recreation and culture	13,036	-	-	-	13,036
Capital outlay	<u>374,818</u>	<u>-</u>	<u>125,286</u>	<u>5,000</u>	<u>505,104</u>
Total expenditures	<u>878,050</u>	<u>68,859</u>	<u>125,286</u>	<u>31,434</u>	<u>1,103,629</u>
Excess (deficiency) of revenues over expenditures	<u>23,983</u>	<u>82,621</u>	<u>(121,926)</u>	<u>23,688</u>	<u>8,366</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	36,000	-	36,000
Transfers out	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,000)</u>
Total other financing sources (uses)	<u>(36,000)</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,017)	82,621	(85,926)	23,688	8,366
Fund balances, beginning of year	<u>324,753</u>	<u>192,192</u>	<u>165,405</u>	<u>33,842</u>	<u>716,192</u>
Fund balances, end of year	<u>\$ 312,736</u>	<u>\$ 274,813</u>	<u>\$ 79,479</u>	<u>\$ 57,530</u>	<u>\$ 724,558</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF LAKEVIEW

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended February 28, 2006

**Net change in fund balances - total governmental funds** \$ 8,366

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	493,739	
Less depreciation expense	<u>(36,149)</u>	457,590

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>2,039</u>
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**Change in net assets of governmental activities** \$ 467,995

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF LAKEVIEW

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

February 28, 2006

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 203,662	\$ 336,626	\$ 540,288
Accounts receivable	19,686	13,512	33,198
Accrued interest receivable	166	183	349
Due from other governmental units	-	4,900	4,900
Due from other funds	242	-	242
Total current assets	<u>223,756</u>	<u>355,221</u>	<u>578,977</u>
<b><i>Noncurrent assets:</i></b>			
Restricted cash and cash equivalents	54,000	55,000	109,000
Capital assets:			
Depreciable capital assets, net	<u>1,621,284</u>	<u>1,080,557</u>	<u>2,701,841</u>
Total noncurrent assets	<u>1,675,284</u>	<u>1,135,557</u>	<u>2,810,841</u>
Total assets	<u>1,899,040</u>	<u>1,490,778</u>	<u>3,389,818</u>
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable and accrued expenses	135	37,857	37,992
Due to other funds	6,432	13,186	19,618
Accrued interest payable	12,868	16,144	29,012
Current portion of long-term debt, payable from restricted assets	<u>29,000</u>	<u>18,000</u>	<u>47,000</u>
Total current liabilities	<u>48,435</u>	<u>85,187</u>	<u>133,622</u>
<b><i>Noncurrent liabilities:</i></b>			
Long-term debt, net of current portion	<u>802,000</u>	<u>662,000</u>	<u>1,464,000</u>
Total noncurrent liabilities	<u>802,000</u>	<u>662,000</u>	<u>1,464,000</u>
Total liabilities	<u>850,435</u>	<u>747,187</u>	<u>1,597,622</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	790,284	400,557	1,190,841
Restricted for:			
Debt service	54,000	55,000	109,000
Unrestricted	<u>204,321</u>	<u>288,034</u>	<u>492,355</u>
Total net assets	<u>\$ 1,048,605</u>	<u>\$ 743,591</u>	<u>\$ 1,792,196</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF LAKEVIEW

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2006

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Operating revenues:</b>			
Charges for services	\$ 203,316	\$ 155,695	\$ 359,011
Charges for services - sludge removal	66,216	-	66,216
Other	11,150	15,665	26,815
Total operating revenues	280,682	171,360	452,042
<b>Operating expenses:</b>			
Personnel	24,868	21,628	46,496
Fringe benefits	6,175	6,414	12,589
Supplies	4,329	4,616	8,945
Contracted services	118,739	4,557	123,296
Treatment services	7,343	1,584	8,927
Administrative expense	25,898	25,898	51,796
Dues and membership fees	1,525	1,182	2,707
Education and training	485	330	815
Printing and publishing	-	121	121
Insurance	3,071	2,806	5,877
Utilities	14,871	8,401	23,272
Repair and maintenance	2,640	3,091	5,731
Equipment rental	8,268	5,083	13,351
Other services and supplies	4,000	5,937	9,937
Depreciation	66,721	36,248	102,969
Total operating expenses	288,933	127,896	416,829
Operating income (loss)	(8,251)	43,464	35,213
<b>Non-operating revenues (expenses):</b>			
State grants	-	246,558	246,558
Interest income	8,091	9,552	17,643
Lease income	-	9,353	9,353
Interest expense	(49,086)	(35,157)	(84,243)
Total non-operating revenues (expenses)	(40,995)	230,306	189,311
Net income (loss)	(49,246)	273,770	224,524
Net assets, beginning of year	1,097,851	469,821	1,567,672
Net assets, end of year	\$ 1,048,605	\$ 743,591	\$ 1,792,196

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF LAKEVIEW

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended February 28, 2006

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 280,622	\$ 171,158	\$ 451,780
Cash received from interfund services	(8,333)	7,620	(713)
Cash payments to employees	(24,868)	(21,628)	(46,496)
Cash payments to suppliers for goods and services	(195,266)	(37,151)	(232,417)
Net cash provided (used) by operating activities	52,155	119,999	172,154
<b>Cash flows from capital and related financing activities:</b>			
State grants	-	246,558	246,558
Acquisition and construction of capital assets	-	(285,632)	(285,632)
Principal payments	(26,000)	(18,000)	(44,000)
Interest paid	(49,086)	(35,157)	(84,243)
Net cash provided (used) by capital and related financing activities	(75,086)	(92,231)	(167,317)
<b>Cash flows from investing activities:</b>			
Interest received	8,091	9,552	17,643
Lease income received	-	9,353	9,353
Net cash provided (used) by investing activities	8,091	18,905	26,996
Net increase (decrease) in cash and cash equivalents	(14,840)	46,673	31,833
Cash and cash equivalents, beginning of year	272,502	344,953	617,455
Cash and cash equivalents, end of year	\$ 257,662	\$ 391,626	\$ 649,288
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (8,251)	\$ 43,464	\$ 35,213
Adjustments:			
Depreciation	66,721	36,248	102,969
Changes in assets and liabilities:			
Accounts receivable	187	(202)	(15)
Accrued interest receivable	(247)	-	(247)
Due from other governmental units	-	-	-
Due from other funds	82	(4,900)	(4,818)
Accounts payable and accrued expenses	113	37,832	37,945
Due to other funds	(8,415)	7,620	(795)
Accrued interest payable	1,965	(63)	1,902
Net cash provided (used) by operating activities	\$ 52,155	\$ 119,999	\$ 172,154

The accompanying notes are an integral part of these financial statements.

## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Lakeview conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

**Discretely Presented Component Unit** - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

**Related Organization** – The Village's officials are also responsible for appointing members to the Board of the Village of Lakeview Hospital Finance Authority, but the Village's accountability for this organization does not extend beyond making the appointments.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.



# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use unrestricted resources first, then restricted resources as they are needed.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Property Replacement Fund** accounts for monies designated to replace assets of the Village in future years.

The Village reports the following major proprietary funds:

The **Sewer Enterprise Fund** is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The **Water Enterprise Fund** is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### Assets, Liabilities and Equity:

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

**Restricted Assets** – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**Receivables** – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Expenses/Expenditures** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) of the governmental funds are capitalized if acquired since March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	15-20 years
Office furniture and equipment	5-10 years
Public domain infrastructure	20-50 years
System infrastructure	50 years
Vehicles	5 years

**Compensated Absences** – Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies.

Accumulated vacation benefits of governmental funds are recorded on the statement of net assets and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported in the statement of net assets of the individual enterprise funds.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** – Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of October 1 are returned to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. Budgetary control is exercised at the department level. The Village Manager is authorized to transfer budget amounts between line items within departments; however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year end.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Village incurred expenditures that were immaterially in excess of the amounts budgeted as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
Property Replacement Fund			
Capital outlay	\$ 125,000	\$ 125,286	\$ 286

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### NOTE 3: CASH AND CASH EQUIVALENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$1,458,371 (including the Downtown Development Authority) of bank deposits (certificates of deposit, checking, and savings accounts), of which \$168,766 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

At year end, the Village had no investments.

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2006 was as follows:

	<u>March 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2006</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 485,908	\$ -	\$ -	\$ 485,908
Depreciable capital assets				
Buildings and improvements	432,215	-	-	432,215
Vehicles and equipment	493,537	123,582	-	617,119
Infrastructure	235,693	370,157	-	605,850
Total depreciable capital assets	1,161,445	493,739	-	1,655,184
Accumulated depreciation	(394,523)	(36,149)	-	(430,672)
Depreciable capital assets, net	766,922	457,590	-	1,224,512
Governmental activities, capital assets, net	<u>\$ 1,252,830</u>	<u>\$ 457,590</u>	<u>\$ -</u>	<u>\$ 1,710,420</u>
<b>Business-type activities:</b>				
Depreciable capital assets				
Equipment	\$ 97,630	\$ -	\$ -	\$ 97,630
Infrastructure	4,047,440	285,632	-	4,333,072
Total depreciable capital assets	4,145,070	285,632	-	4,430,702
Accumulated depreciation	(1,625,892)	(102,969)	-	(1,728,861)
Depreciable capital assets, net	2,519,178	182,663	-	2,701,841
Business-type activities, capital assets, net	<u>\$ 2,519,178</u>	<u>\$ 182,663</u>	<u>\$ -</u>	<u>\$ 2,701,841</u>
<b>Component unit - DDA:</b>				
Nondepreciable capital assets				
Land	\$ 66,512	\$ -	\$ -	\$ 66,512
Depreciable capital assets				
Equipment	\$ 7,527	\$ 7,552	\$ -	\$ 15,079
Infrastructure	710,050	-	-	710,050
Total depreciable capital assets	717,577	7,552	-	725,129
Accumulated depreciation	(61,035)	(14,806)	-	(75,841)
Depreciable capital assets, net	656,542	(7,254)	-	649,288
Component unit - DDA, capital assets, net	<u>\$ 723,054</u>	<u>\$ (7,254)</u>	<u>\$ -</u>	<u>\$ 715,800</u>

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 1,363
Public safety	6,441
Public works	25,579
Recreation and culture	<u>2,766</u>
Total governmental activities	<u>\$ 36,149</u>

**Business-type activities:**

Sewer	\$ 66,721
Water	<u>36,248</u>
Total business-type activities	<u>\$ 102,969</u>

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## NOTE 5: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at February 28, 2006 is as follows:

	<i><u>Due From Other Funds</u></i>	<i><u>Due To Other Funds</u></i>
General Fund	\$ 62,168	\$ -
Major Street Fund	-	6,123
Local Street Fund	-	2,062
Property Replacement Fund	-	34,607
Sewer Fund	242	6,432
Water Fund	<u>-</u>	<u>13,186</u>
	<u>\$ 62,410</u>	<u>\$ 62,410</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
General Fund	Property Replacement Fund	<u>\$ 36,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

The following is a summary of debt transactions of the Village for the year ended February 28, 2006:

<u>Types of Indebtedness</u>	<u>March 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>February 28, 2006</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Compensated absences payable	\$ 8,715	\$ -	\$ 2,039	\$ 6,676	\$ -
<b><u>Business-type Activities</u></b>					
1967 Sewer Revenue Bonds, due in annual amounts of \$15,000 plus interest at 4.5% through 2007.	\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
1986 Series A Sewer Revenue Bonds, due in annual amounts ranging from \$8,000 to \$13,000 plus interest at 6.125% through 2026.	221,000	-	6,000	215,000	8,000
1986 Series B Sewer Revenue Bonds, due in annual amounts ranging from \$1,000 to \$16,000 plus interest at 6.125% through 2026.	172,000	-	1,000	171,000	1,000
1982 Water Revenue Bonds, due in annual amounts ranging from \$15,000 to \$35,000 plus interest at 5.0% through 2020.	380,000	-	15,000	365,000	15,000
2000 Water Supply System Revenue Bonds, due in annual amounts ranging from \$3,000 to \$19,000 plus interest at 5.125% through 2041.	318,000	-	3,000	315,000	3,000
2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$5,000 to \$25,000 plus interest at 5.0% through 2041.	434,000	-	4,000	430,000	5,000
Total business-type activities	\$ 1,555,000	\$ -	\$ 44,000	\$ 1,511,000	\$ 47,000



# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

<u>Types of Indebtedness</u>	<u>March 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>February 28, 2006</u>	<u>Due Within One Year</u>
<b><u>Component Unit - DDA:</u></b>					
2001 Downtown Development Bonds, due in annual amounts ranging from \$20,000 to \$40,000 plus interest at 4.1% through 2022.	<u>\$ 455,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 440,000</u>	<u>\$ 20,000</u>

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences payable) as of February 28, 2006 are as follows:

<u>Year Ended February 28,</u>	<u>Business-type Activities</u>			<u>Component Unit - DDA</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 47,000	\$ 82,141	\$ 129,141	\$ 20,000	\$ 21,260	\$ 41,260
2008	32,000	79,716	111,716	20,000	20,410	40,410
2009	40,000	77,966	117,966	20,000	19,540	39,540
2010	46,000	75,783	121,783	20,000	18,650	38,650
2011	47,000	73,284	120,284	20,000	17,740	37,740
2012-2016	285,000	323,839	608,839	130,000	71,217	201,217
2017-2021	305,000	237,840	542,840	170,000	33,954	203,954
2022-2026	231,000	163,235	394,235	40,000	1,050	41,050
2027-2031	121,000	109,099	230,099	-	-	-
2032-2036	157,000	75,192	232,192	-	-	-
2037-2041	200,000	31,332	231,332	-	-	-
	<u>\$ 1,511,000</u>	<u>\$ 1,329,427</u>	<u>\$ 2,840,427</u>	<u>\$ 440,000</u>	<u>\$ 203,821</u>	<u>\$ 643,821</u>

## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit - DDA</u>
<b>Receivables:</b>			
Property taxes		\$ -	\$ -
Accounts	-	33,198	-
Accrued interest receivable	-	349	-
Intergovernmental	57,337	4,900	26,085
Total receivables	<u>\$ 57,337</u>	<u>\$ 38,447</u>	<u>\$ 26,085</u>
<b>Accounts payable and accrued expenses:</b>			
Accounts payable	\$ 45,722	\$ 37,659	\$ -
Accrued payroll and related liabilities	5,569	333	-
Accrued interest payable	-	29,012	10,840
Total accounts payable and accrued expenses	<u>\$ 51,291</u>	<u>\$ 67,004</u>	<u>\$ 10,840</u>

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

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### NOTE 8: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended February 28, 2006, the Village carried commercial insurance to cover most risks of losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan**

The Village does not provide pension plan benefits.

#### **Post Employment Benefits**

The Village does not provide post employment benefits.

#### **Deferred Compensation Plan**

The Village participates in a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code. The plan is administered by the Massachusetts Mutual Life Insurance Company and is available to all employees. Under the plan, employees can elect to defer a portion of their wages each pay period. After an employee has worked at the Village for two years, the Village also makes an additional matching contribution of up to 5% of the employee's annual wage. The deferred amounts are not taxable to the employees until retirement or separation from employment. All assets of the plan are held in trust for the employees and are not included in the Village financial statements.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF LAKEVIEW

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
Property taxes	\$ 158,577	\$ 164,377	\$ 164,369	\$ (8)
Licenses and permits	3,500	3,500	3,275	(225)
Federal grants	-	355,805	355,805	-
State grants	127,926	127,926	125,443	(2,483)
Charges for services	142,821	146,920	146,694	(226)
Fines and forfeits	4,500	3,750	4,986	1,236
Interest and rents	88,500	94,044	85,317	(8,727)
Other revenue	4,000	19,341	16,144	(3,197)
Total revenues	529,824	915,663	902,033	(13,630)
<b>Expenditures</b>				
Current				
General government	178,648	183,348	175,322	(8,026)
Public safety	141,747	145,453	144,365	(1,088)
Public works	184,764	178,874	164,033	(14,841)
Community and economic development	6,713	6,713	6,476	(237)
Recreation and culture	14,020	13,800	13,036	(764)
Capital outlay	25,106	374,890	374,818	(72)
Total expenditures	550,998	903,078	878,050	(25,028)
Excess (deficiency) of revenues over expenditures	(21,174)	12,585	23,983	11,398
<b>Other financing sources (uses)</b>				
Transfers out	(25,000)	(36,000)	(36,000)	-
Total other financing sources (uses)	(25,000)	(36,000)	(36,000)	-
Net change in fund balance	(46,174)	(23,415)	(12,017)	11,398
Fund balance, beginning of year	324,753	324,753	324,753	-
Fund balance, end of year	\$ 278,579	\$ 301,338	\$ 312,736	\$ 11,398

# VILLAGE OF LAKEVIEW

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
Property taxes	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
State grants	75,000	77,661	85,418	7,757
Interest and rents	850	4,180	5,893	1,713
Other revenue	-	-	169	169
Total revenues	<u>135,850</u>	<u>141,841</u>	<u>151,480</u>	<u>9,639</u>
<b>Expenditures</b>				
Current				
Public works	<u>120,752</u>	<u>75,747</u>	<u>68,859</u>	<u>(6,888)</u>
Total expenditures	<u>120,752</u>	<u>75,747</u>	<u>68,859</u>	<u>(6,888)</u>
Net change in fund balance	15,098	66,094	82,621	16,527
Fund balance, beginning of year	<u>192,192</u>	<u>192,192</u>	<u>192,192</u>	<u>-</u>
Fund balance, end of year	<u>\$ 207,290</u>	<u>\$ 258,286</u>	<u>\$ 274,813</u>	<u>\$ 16,527</u>

# VILLAGE OF LAKEVIEW

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## *SPECIAL REVENUE FUND – PROPERTY REPLACEMENT FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
Interest and rents	\$ 2,000	\$ 3,000	\$ 3,360	\$ 360
Total revenues	<u>2,000</u>	<u>3,000</u>	<u>3,360</u>	<u>360</u>
<b>Expenditures</b>				
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>125,286</u>	<u>286</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>125,286</u>	<u>286</u>
Excess (deficiency) of revenues over expenditures	<u>(123,000)</u>	<u>(122,000)</u>	<u>(121,926)</u>	<u>74</u>
<b>Other financing sources</b>				
Transfers in	<u>25,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Total other financing sources	<u>25,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Net change in fund balance	<u>(98,000)</u>	<u>(86,000)</u>	<u>(85,926)</u>	<u>74</u>
Fund balance, beginning of year	<u>165,405</u>	<u>165,405</u>	<u>165,405</u>	<u>-</u>
Fund balance, end of year	<u>\$ 67,405</u>	<u>\$ 79,405</u>	<u>\$ 79,479</u>	<u>\$ 74</u>

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2006

***Current taxes:***

Property taxes	\$ 161,200
Property tax administration fees	3,169
	<u>164,369</u>

***Licenses and permits:***

CATV franchise fees	3,275
	<u>3,275</u>

***Federal grants:***

Other	355,805
	<u>355,805</u>

***State grants:***

Liquor license fees	1,705
State revenue sharing - sales tax	123,738
	<u>125,443</u>

***Charges for services:***

Cemetery fees	11,425
Police services and reports	2,088
Airport fees	9,819
Zoning fees	40
Administrative charge to Downtown Development Authority	9,866
Charges to other funds and departments	113,456
	<u>146,694</u>

***Fines and forfeitures:***

Police	4,986
	<u>4,986</u>

***Interest and rents:***

Equipment rental	71,907
Interest	8,010
Rents	5,400
	<u>85,317</u>

***Other revenue:***

Sale of capital assets	11,014
Cemetery lots	2,600
Contributions and donations	32
Refunds and rebates	220
Other	2,278
	<u>16,144</u>

Total revenues	<u>\$ 902,033</u>
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# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2006

**Expenditures:**

***General Government:***

*Council:*

Personnel	\$ 3,525
Fringe benefits	284
Administration allocation	1,233
Dues and memberships	1,019
Insurance	5,232
Other	425
	<u>11,718</u>

*President:*

Personnel	825
Fringe benefits	66
Education and training	855
Insurance	847
	<u>2,593</u>

*Administration:*

Personnel	80,463
Fringe benefits	22,773
Supplies	2,128
Contracted services	1,422
Telephone	2,546
Utilities	1,496
Repairs and maintenance	760
	<u>111,588</u>

*Clerk:*

Supplies	1,329
Administration allocation	1,233
Dues and memberships	255
Education and training	30
Printing and publications	881
Insurance	2,743
	<u>6,471</u>

*Audit:*

Contracted services	<u>7,250</u>
	<u>7,250</u>

# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***General Government, continued:***

*Treasurer*

Supplies	\$ 289
Contracted services	809
Administration allocation	1,233
Insurance	847
	<u>3,178</u>

*Attorney:*

Contracted services	8,744
	<u>8,744</u>

*Cemetery:*

Personnel	9,373
Fringe benefits	2,172
Supplies	931
Contracted services	1,403
Administration allocation	6,166
Insurance	289
Utilities	97
Repairs and maintenance	326
Equipment rental	3,023
	<u>23,780</u>

Total general government	<u>175,322</u>
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***Public Safety:***

*Police:*

Personnel	86,141
Fringe benefits	24,121
Supplies	6,022
Contracted services	5,809
Administration allocation	3,700
Telephone	1,084
Dues and memberships	70
Education and training	325
Insurance	4,284
Utilities	1,496
Repairs and maintenance	506
Equipment rental	10,807
	<u>144,365</u>

Total public safety	<u>144,365</u>
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# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***Public Works:***

*Department of Public Works:*

Personnel	\$ 22,491
Fringe benefits	6,251
Supplies	14,057
Contracted services	645
Administration allocation	7,399
Telephone	794
Insurance	7,178
Utilities	4,145
Repairs and maintenance	7,758
Other	240
	<u>70,958</u>

*Sidewalks:*

Personnel	795
Fringe benefits	202
Contracted services	330
Administration allocation	1,233
Repairs and maintenance	28
Equipment rental	740
	<u>3,328</u>

*Street Lighting:*

Utilities	13,053
Repairs and maintenance	32
	<u>13,085</u>

*Environmental Control:*

Personnel	8,326
Fringe benefits	1,912
Supplies	100
Contracted services	7,224
Administration allocation	4,933
Equipment rental	8,953
	<u>31,448</u>

*Tamarack Lake Project:*

Contracted services	<u>7,224</u>
	<u>7,224</u>

# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***Public Works, continued:***

*Airport:*

Personnel	\$ 4,295
Fringe benefits	1,139
Supplies	130
Contracted services	204
Administration allocation	9,866
Telephone	544
Dues and memberships	50
Insurance	2,520
Utilities	2,233
Repairs and maintenance	487
Equipment rental	7,394
Other	260
	<u>29,122</u>

*Other:*

Contracted services	<u>8,000</u>
	<u>8,000</u>

Total public works	<u>164,033</u>
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***Community and Economic Development:***

*Zoning:*

Personnel	2,800
Fringe benefits	359
Supplies	27
Contracted services	1,757
Administration allocation	1,233
	<u>6,176</u>

Total community and economic development	<u>6,176</u>
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***Recreation and Culture:***

*Parks and Grounds:*

Personnel	3,877
Fringe benefits	956
Supplies	211
Administration allocation	1,233
Utilities	3,591
Repairs and maintenance	211
Equipment rental	2,957
	<u>13,036</u>

Total recreation and culture	<u>13,036</u>
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# VILLAGE OF LAKEVIEW

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***Capital Outlay:***

General government	\$ 4,672
Public works	368,929
Recreation and culture	<u>1,217</u>
	<u>374,818</u>

Total capital outlay	<u>374,818</u>
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Total expenditures	<u>878,050</u>
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**Other Financing Uses:**

Transfers to other funds	<u>36,000</u>
	<u>36,000</u>

Total expenditures and other financing uses	<u><u>\$ 914,050</u></u>
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# VILLAGE OF LAKEVIEW

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## *BUSINESS-TYPE ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

February 28, 2006

#### **1967 Sewer Revenue Bonds**

Original issue amount \$ 248,000

Less: Principal paid in prior years (218,000)  
Principal paid in current year (15,000)

Balance payable at February 28, 2006 \$ 15,000

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total Annual Requirement</i></u>
2007	4.500%	<u>\$ 675</u>	<u>\$ 15,000</u>	<u>\$ 15,675</u>

## SCHEDULE OF INDEBTEDNESS

## 1986 Sewer Revenue Bonds, Series A

Balance payable as follows:

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# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### 1986 Sewer Revenue Bonds, Series B

Original issue amount \$ 188,000

Less: Principal paid in prior years (16,000)  
Principal paid in current year (1,000)

Balance payable at February 28, 2006 \$ 171,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Annual Requirement</u>
2007	6.125%	\$ 11,328	\$ 1,000	\$ 12,328
2008	6.125%	11,262	1,000	12,262
2009	6.125%	11,196	3,000	14,196
2010	6.125%	10,998	3,000	13,998
2011	6.125%	10,800	3,000	13,800
2012	6.125%	10,600	6,000	16,600
2013	6.125%	10,202	6,000	16,202
2014	6.125%	9,805	6,000	15,805
2015	6.125%	9,407	8,000	17,407
2016	6.125%	8,877	8,000	16,877
2017	6.125%	8,348	8,000	16,348
2018	6.125%	7,817	11,000	18,817
2019	6.125%	7,089	11,000	18,089
2020	6.125%	6,360	11,000	17,360
2021	6.125%	5,631	13,000	18,631
2022	6.125%	4,770	13,000	17,770
2023	6.05%	3,909	13,000	16,909
2024	6.10%	3,047	15,000	18,047
2025	6.10%	2,054	15,000	17,054
2026	6.10%	1,060	16,000	17,060
		<u>\$ 154,560</u>	<u>\$ 171,000</u>	<u>\$ 325,560</u>



# VILLAGE OF LAKEVIEW

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### Sanitary Sewer System Revenue Bonds, Series 2001

Original issue amount	\$	450,000
Less: Principal paid in prior years		(16,000)
Principal paid in current year		<u>(4,000)</u>
Balance payable at February 28, 2006	\$	<u>430,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal</u>	<u>Total</u>
		<u>August 1</u>	<u>February 1</u>	<u>February 1</u>	<u>Annual Requirement</u>
2007	5.000%	\$ 10,750	\$ 10,750	\$ 5,000	\$ 26,500
2008	5.000%	10,625	10,625	5,000	26,250
2009	5.000%	10,500	10,500	5,000	26,000
2010	5.000%	10,375	10,375	5,000	25,750
2011	5.000%	10,250	10,250	6,000	26,500
2012	5.000%	10,100	10,100	6,000	26,200
2013	5.000%	9,950	9,950	6,000	25,900
2014	5.000%	9,800	9,800	7,000	26,600
2015	5.000%	9,625	9,625	7,000	26,250
2016	5.000%	9,450	9,450	7,000	25,900
2017	5.000%	9,275	9,275	8,000	26,550
2018	5.000%	9,075	9,075	8,000	26,150
2019	5.000%	8,875	8,875	8,000	25,750
2020	5.000%	8,675	8,675	9,000	26,350
2021	5.000%	8,450	8,450	9,000	25,900
2022	5.000%	8,225	8,225	10,000	26,450
2023	5.000%	7,975	7,975	10,000	25,950
2024	5.000%	7,725	7,725	11,000	26,450
2025	5.000%	7,450	7,450	11,000	25,900
2026	5.000%	7,175	7,175	12,000	26,350
2027	5.000%	6,875	6,875	13,000	26,750
2028	5.000%	6,550	6,550	13,000	26,100
2029	5.000%	6,225	6,225	14,000	26,450
2030	5.000%	5,875	5,875	15,000	26,750
2031	5.000%	5,500	5,500	15,000	26,000
2032	5.000%	5,125	5,125	16,000	26,250
2033	5.000%	4,725	4,725	17,000	26,450
2034	5.000%	4,300	4,300	18,000	26,600
2035	5.000%	3,850	3,850	19,000	26,700
2036	5.000%	3,375	3,375	20,000	26,750
2037	5.000%	2,875	2,875	21,000	26,750
2038	5.000%	2,350	2,350	22,000	26,700
2039	5.000%	1,800	1,800	23,000	26,600
2040	5.000%	1,225	1,225	24,000	26,450
2041	5.000%	625	625	25,000	26,250
		<u>\$ 245,600</u>	<u>\$ 245,600</u>	<u>\$ 430,000</u>	<u>\$ 921,200</u>

# VILLAGE OF LAKEVIEW

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## *BUSINESS-TYPE ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

February 28, 2006

#### **Water Supply System Revenue Bond, Series 1982**

Original issue amount	\$	630,000
Less: Principal paid in prior years		(250,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at February 28, 2006	\$	<u>365,000</u>

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total Annual Requirement</i></u>
2007	5.000%	\$ 18,250	\$ 15,000	\$ 33,250
2008	5.000%	17,500	15,000	32,500
2009	5.000%	16,750	20,000	36,750
2010	5.000%	15,750	25,000	40,750
2011	5.000%	14,500	25,000	39,500
2012	5.000%	13,250	25,000	38,250
2013	5.000%	12,000	30,000	42,000
2014	5.000%	10,500	30,000	40,500
2015	5.000%	9,000	30,000	39,000
2016	5.000%	7,500	30,000	37,500
2017	5.000%	6,000	35,000	41,000
2018	5.000%	4,250	35,000	39,250
2019	5.000%	2,500	35,000	37,500
2020	5.000%	750	15,000	15,750
		<u>\$ 148,500</u>	<u>\$ 365,000</u>	<u>\$ 513,500</u>

# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### 2000 Water Supply System Revenue Bonds

Original issue amount	\$	330,000
Less: Principal paid in prior years		(12,000)
Principal paid in current year		<u>(3,000)</u>
Balance payable at February 28, 2006	\$	<u>315,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Annual Requirement</u>
2007	5.125%	\$ 16,144	\$ 3,000	\$ 19,144
2008	5.125%	15,990	3,000	18,990
2009	5.125%	15,836	4,000	19,836
2010	5.125%	15,631	4,000	19,631
2011	5.125%	15,426	4,000	19,426
2012	5.125%	15,221	4,000	19,221
2013	5.125%	15,016	4,000	19,016
2014	5.125%	14,811	5,000	19,811
2015	5.125%	14,555	5,000	19,555
2016	5.125%	14,299	5,000	19,299
2017	5.125%	14,043	6,000	20,043
2018	5.125%	13,735	6,000	19,735
2019	5.125%	13,428	6,000	19,428
2020	5.125%	13,120	6,000	19,120
2021	5.125%	12,813	7,000	19,813
2022	5.125%	12,454	7,000	19,454
2023	5.125%	12,095	8,000	20,095
2024	5.125%	11,685	8,000	19,685
2025	5.125%	11,275	8,000	19,275
2026	5.125%	10,865	9,000	19,865
2027	5.125%	10,404	9,000	19,404
2028	5.125%	9,943	10,000	19,943
2029	5.125%	9,430	10,000	19,430
2030	5.125%	8,918	11,000	19,918
2031	5.125%	8,354	11,000	19,354
2032	5.125%	7,790	12,000	19,790
2033	5.125%	7,175	13,000	20,175
2034	5.125%	6,509	13,000	19,509
2035	5.125%	5,843	14,000	19,843
2036	5.125%	5,125	15,000	20,125
2037	5.125%	4,356	15,000	19,356
2038	5.125%	3,588	16,000	19,588
2039	5.125%	2,768	17,000	19,768
2040	5.125%	1,896	18,000	19,896
2041	5.125%	974	19,000	19,974
		<u>\$ 371,515</u>	<u>\$ 315,000</u>	<u>\$ 686,515</u>

# VILLAGE OF LAKEVIEW

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## COMPONENT UNIT

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### 2001 Downtown Development Bonds

Original issue amount	\$	500,000
Less: Principal paid in prior years		(45,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at February 28, 2006	\$	<u><u>440,000</u></u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Annual Requirement</u>
2007	4.100%	\$ 21,260	\$ 20,000	\$ 41,260
2008	4.100%	20,410	20,000	40,410
2009	4.100%	19,540	20,000	39,540
2010	4.100%	18,650	20,000	38,650
2011	4.100%	17,740	20,000	37,740
2012	4.100%	16,693	25,000	41,693
2013	4.100%	15,505	25,000	40,505
2014	4.100%	14,292	25,000	39,292
2015	4.100%	13,055	25,000	38,055
2016	4.100%	11,672	30,000	41,672
2017	4.100%	10,151	30,000	40,151
2018	4.100%	8,613	30,000	38,613
2019	4.100%	6,930	35,000	41,930
2020	4.100%	5,110	35,000	40,110
2021	4.100%	3,150	40,000	43,150
2022	4.100%	<u>1,050</u>	<u>40,000</u>	<u>41,050</u>
		<u>\$ 203,821</u>	<u>\$ 440,000</u>	<u>\$ 643,821</u>

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of Village Council  
Village of Lakeview, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lakeview, as of and for the year ended February 28, 2006, which collectively comprise the Village of Lakeview's basic financial statements and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Lakeview's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lakeview's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

May 11, 2006



May 11, 2006

To The Village Council  
Village of Lakeview  
Lakeview, MI

We have audited the financial statements of the Village of Lakeview for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Village of Lakeview in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances,

makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Lakeview are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Lakeview during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village of Lakeview's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated May 11, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants